

Section 6. Transfer of Contributions

This is the only provision in the bill for which there is no precedent in existing legislation although it was contained in H.R. 16306 which was approved by the Committee and the House last year. It has the full approval of the Civil Service Commission.

The "Transfer of Contributions" provision authorizes the transfer of employer contributions to the Government retirement fund from which the employee will receive his retirement benefits.

At present, when an individual transfers into the CIA Retirement and Disability System from some other Government retirement system, there is provision for the transfer of the employee's contributions from the other Government retirement fund to the CIA fund, but there is no provision for transfer of the contributions made by the Government to such fund on the employee's behalf. Further, there is at present no provision for the transfer of an employee's contributions from the CIA retirement fund to some other Government retirement fund in the event he changes employment.

The result is that if an employee wishes to obtain credit for his prior Government service, he must obtain a refund of his contributions and any interest applicable thereto, pay tax on such interest, and then re-purchase service credit on the basis of his contributions plus the applicable interest rate under the retirement system which he has entered. In certain situations this could result in

tax cost to the individual. In any event, it is a cumbersome problem. In addition, it denies to the receiving retirement system the benefit of the Government's contributions toward the retirement benefits ultimately to be granted to the employee.

The proposed change would correct the inequity to the employee and make it possible for the Government's contributions toward his retirement to be credited to the Government retirement fund from which his retirement benefits will ultimately be paid. It is intended that this provision apply to all employees who have been transferred into the CIA Retirement and Disability System as well as those to be transferred out.

As I said earlier, the Civil Service Commission is very much in accord with the addition of this authority to our retirement act. It will go a long way toward putting our program on a stronger financial footing. As of 31 August 1967, the Agency Retirement Fund net worth is 20.8 millions. By looking at the salary levels and retirement contributions for the 10 or so years since matching employer contributions have been required, we estimate that as of the close of the fiscal year, 30 June 1967, there would be due the fund under this authority an additional 21.5 millions.

Section 7. Reemployment of Annuitants

Gentlemen, this is an authority which was approved by the Armed Services Committee and the House of Representatives when the Agency Retirement proposal was initially before the Committee and the House of Representatives, but was removed by the Senate Committee in their effort to conform our retirement system more closely to the Civil Service Retirement System. It will authorize an annuitant who has retired from the Agency to be reemployed in the Government and to retain the salary of the new position, plus so much of his annuity, which when added to the new salary, does not exceed the salary at the time of retirement.

Under the present Agency authority, for example, if one of our GS-13 (salary of \$12,873) retires with an annuity of \$6000 and then enters other Federal employment at the GS-11 level, (\$9221), he would actually receive only \$3,221 for his services. The provision which we propose would permit him to receive the full salary of his GS-11 position plus so much of his annuity as does not exceed salary at time of retirement. Thus, this amendment would permit this retiree to receive his earned salary of \$9221 plus \$3652 of his \$6000 annuity bringing him up to his previous salary level of \$12,873.

The practical effect is to authorize the individual who is seeking less strenuous work and does not want to return overseas to retire voluntarily--or involuntarily--and to find other Federal employment, possibly at a grade or more below his salary, but which

when coupled with his retirement annuity will maintain his standard of living. As he rises in his new employment, the retirement annuity will be eliminated on his again reaching his former salary level.

We feel that our retirees, with few exceptions, need to seek a second career and may well desire such a career elsewhere in Government. CIA employees do not acquire status in the competitive service, however, and much of their experience and competence cannot readily be related to normal Government positions. The total offset of annuity upon reemployment in Government service, as is now required tends to limit second career employment opportunities for CIA retirees to the private sector. It thus tends to deny to the Government, the services of individuals who, even though they have completed their CIA careers, are highly competent.

Retirees under the CIA Retirement and Disability System have earned their annuities at the time when they retire. This principle appears to have been established for the Reserve military officer, and more recently, the retired regular military officer, and for the retired Foreign Service Officer. With respect to retired military officer, I would like to note that a reservist can retain both his civilian salary and his entire annuity, and a regular officer can retain his salary plus the first \$2,000 of his annuity and 50% of the balance thereof.

Section 8. Cost-of-Living Adjustment

This section authorizes future cost-of-living annuity adjustments under the Central Intelligence Agency Retirement Act to be made under the same formula now applicable to Civil Service annuities. It also increases certain current annuities by the same percentage in force and effect for comparable annuities under the Civil Service Retirement Act.

The Central Intelligence Agency Retirement Act presently authorizes automatic cost-of-living adjustments on the basis of yearly average Consumer Price Index increases of at least 3 percent. This automatic adjustment principle was approved by the Congress for the Civil Service Retirement System in 1962 and extended to retired members of the Armed Forces in 1963. It was incorporated into the Agency Retirement Act when that Act was passed in 1964.

During the first session of the 89th Congress the cost-of-living provision for military retirees was amended (P.L. 89-132) to gear increases to quarterly rather than average calendar year Consumer Price Indexes.

Later on in the first session of the 89th Congress similar legislation for the benefit of the entire Civil Service System was approved (P. L. 89-205, 27 September 1967 and P. L. 89-314, 1 November 1965.) As a result of this legislation, the cost-of-living feature of the Civil Service system is now based on cost-of-living indicators over three-month periods.

Under the current cost-of-living formula in the Central Intelligence Agency Retirement Act, the annuities of 1965 retirees were increased by 4.6 percent on 1 April 1967. No increase has been granted 1966 retirees and if granted would not become effective before 1 April 1968. This compares to increases in force and effect under the Civil Service System of 12.4 percent cumulative, for 1965 retirees and 4.9 percent for 1966 retirees.

Under the liberalized Civil Service formula a 6.1 percent increase was granted to 1965 retirees in 1965 and a 3.9 percent increase was granted to 1965 and 1966 retirees on 1 January 1967. An additional increase of 2 percent for 1965 retirees and 1 percent for 1966 retirees had been granted by P.L. 89-793 which established the cost-of-living adjustment principle for the Civil Service system. Thus on a cumulative basis 1965 Central Intelligence Agency Retirement Act retirees are 7.8 percent behind their Civil Service counterparts and 1966 Central Intelligence Agency Retirement Act retirees are behind 4.9 percent.

Section 8 of the bill would, on 1 January 1967, provide the same cumulative percentage increase of annuity in force and effect for 1965 and 1966 retirees under the Civil Service System. Specifically, Central Intelligence Agency Retirement Act retirees whose annuities commenced prior to 2 January 1966 would receive an increase of 12.4 percent effective 1 January 1967 less the 4.6 percent increase paid 1 April 1967 under current law. Those whose annuity commenced on or between 2 January 1966 and 1 January 1967 would receive an increase of 4.9 percent effective 1 January 1967.

Section 8 of the bill also assures that future increases will be in phase with those granted Civil Service retirees and proposed for Foreign Service retirees.

In addition survivor annuitants would receive similar cost-of-living adjustments.

Section 9. Federal Employees Pay Act

This section clarifies the authority of the Director of Central Intelligence by specifying the exclusion of Agency officers and employees from the provisions of the Federal Employees Pay Act of 1945, as amended.

Civil Service Commission Regulations relating to premium pay (Federal Personnel Manual Supp. 990-2, at Book 550-2) issued under the authority of section 605 of the Federal Employees Pay Act of 1945, as amended, exclude officers and employees of the Central Intelligence Agency from coverage under the regulations.

This exclusion of Agency personnel from the Pay Act recognizes the pay-fixing authority granted to the Director of Central Intelligence in section 8(a) of the Central Intelligence Agency Act, as amended (50 U.S.C. 403j), and the specific exemption of the Agency's positions from the provisions of the Classification Act of 1949, as amended (5 U.S.C. 5102). The Agency has developed a salary administration program which adheres closely to the principles and standards of the Classification Act regarding the classification of positions, establishment of entry salary rates, and the grant of merit and quality step increases, and conforms generally to the principles and standards of the Pay Act regarding premium pay and hours of work. However, it has been necessary for the Agency to

deviate from the specific practices required by the Act to accomodate peculiar problems inherent in its mission and functions. This is best illustrated by the overtime problem.

Accordingly the Agency views its professional officers in the same way as do the military services. Their obligation is to do what is required when required. Our personnel accept this responsibility as an inherent condition of a career in intelligence.

Consistent with this concept we generally do not pay overtime. It is for this reason that exemption from certain provisions of the Federal Employees Pay Act is a practical necessity.

The duties of our professional intelligence and supervisory personnel are generally not susceptible to full accomplishment during a regularly scheduled work day or work week. Immediacy of action is an essential requirement of our mission. International happenings of intelligence significance occur without regard to the hour of the day or the calendar and emphasis may shift without warning from one part of the world to another. Intelligence operations similarly cannot be scheduled to regular hours.